

# Luncheon Keynote Address

- Jae Hoon Yoo

\*REMARKS AS WRITTEN, NOT AS DELIVERED

- Date: 12:00~13:30, May 21 (Mon), 2012
- Venue: 2<sup>nd</sup> Floor, Westin Chosun Hotel (Cosmos & Violet)
- Attendees: Representatives of investor education-related organizations (80~100)
- Theme: Investor/Investing Trends & Implications for Investor Education)

**[Greetings]**

Good afternoon!

I am very pleased and honored to give a keynote speech for the 2012 IFIE-IOSCO Investor Education Conference.

This year, IFIE is celebrating its 4<sup>th</sup> joint investor education conference with IOSCO here in Korea, with an aim to raise financial education among consumers to the next level, and share our knowledge to date with people working in the investor education field. I would like to extend a warm welcome to all of the distinguished delegates and guests present here today.

Before I begin, let me take a moment to thank Secretary General David Wright of IOSCO, Vice Chair Roberta Wilton of IFIE, the delegates from IFIE, AFIE, and IFIE-MENA, and the representatives from various financial supervisory agencies for their attendance.

I'd also like to acknowledge KOFIA and all the people involved in arranging this wonderful event for their dedication and hard work.

Last but most certainly not least, my special thanks go to Hwang Kun Ho, who, as the former Chair of IFIE, played a pivotal role in founding AFIE, and also made other important contributions to the development of financial investment education.

## **[Recent Trends in the Domestic and Global Financial Markets]**

Ladies and gentlemen,

Until just a couple of weeks ago, the uncertainties in the global financial market seemed to have subsided to a certain degree, thanks to the joint efforts of the global community.

However, the volatility of the financial markets has been aggravated once again due to increasing global political concerns, the most pressing of which is the general election situation in Greece.

On the home front, growing volatility in the domestic financial market due to internal and external factors seems to be inevitable, as Korea's economy is heavily dependent on foreign trade, and its capital market is widely open to foreign investors.

Even amid these difficulties that must be faced, we believe that the Korean financial market has weathered the crisis relatively well, thanks to the strong real sector fundamentals, fiscal soundness, and proactive stabilization policy measures.

Still, we anticipate that potential market uncertainties will linger, considering current concerns such as the ongoing European sovereign debt crisis and the possibility of a hard landing in the Chinese economy.

## **[Recent Financial Trends and the Need for Investor Education]**

Ladies and gentlemen,

Since the fall of Lehman Brothers in 2008, the world has been experiencing an ongoing series of global financial hardships. One of the lessons we have learned during this period is that investor education and protection is crucial.

While going through the waves of recent crises, we have realized that the gap has widened between the level of financial knowledge investors possess and the ability of the fast-growing financial industry to take advantage of the trend for deregulation. Because of this, investors have faced greater losses, which, in turn, creates a threatening variable to market stability.

In addition, as interest rates have been kept low for the past 10 years, investors have become more sensitive to yields.

This has bolstered investors' exposure to the risks associated with the mis-selling of investment products.

Furthermore, a growing need to prepare for life after retirement in a rapidly aging society is pressuring many Korean investors to look for new types of long-term investment products, which require more comprehensive financial literacy and knowledge.

### **[Policies to Protect Domestic Financial Consumers]**

For much of its history, Korea's financial policies have hinged upon two core values: market stabilization and the development of the financial industry.

Accordingly, most financial policies and supervision processes have focused on the supplier side, with a view to enhancing the financial prudence of individual companies and preventing systemic risks. As a result, investor protection was not considered as much a high priority as the supply side supervision.

Nevertheless, our earlier efforts to provide systematic investor education services by establishing the Korea Council for Investor Education, or KCIE, in 2005, and the Korea Investors Protection Foundation, or KIPF, in 2006 should not be underestimated.

Furthermore, following these efforts, the FSC established the Council for Financial Education\* in December of 2009 to set a basic course of direction for financial education in Korea and build a reliable education system.

- \* - Composed of 13 organizations, including the FSC, FSS, KCIE, Financial Quotient Council, KIPF, and other associations
- Chaired by Vice Chairman of the FSC

The recent global financial crisis shed a renewed light on the issues of trust in the financial sector and consumer rights, which led to a call for a paradigm shift in the financial industry.

I believe we need to answer that call, and place the protection of financial consumers and investors at the very center of the development of financial policies and supervision of the financial industry.

In this regard, the Korean government is planning to harness our policy efforts and enhance the demand side of finance to better serve financial consumers, investors, and depositors.

To achieve this, the government submitted the Financial Consumer Protection Act last year, under which it called for the establishment of the Financial Consumer Protection Bureau, an organization dedicated to financial consumer protection and education.

The Financial Consumer Protection Bureau, a division under the FSS, will play a central role in helping this Act go into effect. This Act is expected to upgrade the quality of financial consumer protection by legislating and clearly defining the obligations of the organizations responsible for financial education.

As such, we need to improve both the quality and methodology of financial education so that the financial industry can contribute to improving the general welfare of the nation.

### **[Role of IFIE/IOSCO and Expectations]**

As the global financial market grows ever more interconnected, the voices calling for global coordination on the financial education front are getting increasingly resonant.

I believe this Conference offers us a valuable opportunity to share and learn from the Best Practices of each of the member countries.

I am positive that IFIE's continued efforts to improve investor education will play a pivotal role in driving the further development of the global financial market.

Thank you very much.